

**Committee on Equal Opportunities
Council on Postsecondary Education
May 14, 2012**

2012-13 Tuition and Mandatory Fee Recommendation

The Council on Postsecondary Education met April 20, 2012, and took action on several tuition-related items, in addition to approving a dual credit policy.

The Council set tuition and mandatory fee ceilings for in-state, undergraduate students, for the state's public colleges and universities for the 2012-13 academic year. The maximum base rate increases are 4 percent for the Kentucky Community and Technical College System, 5 percent for the comprehensive universities, and 6 percent for the research institutions.

The agenda item approved by the Council at its April 2012 meeting follows.

Staff preparation by Rana Johnson

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2012-13 Tuition and Mandatory Fee Recommendation

The Council staff used a collaborative process to develop its 2012-13 tuition and mandatory fee ceiling recommendation, which included sharing information and engaging in discussions with campus presidents and chief budget officers, Council members, student groups, and executive and legislative leadership.

Based on feedback received from multiple stakeholders, there is a general sentiment that increases in resident, undergraduate tuition and mandatory fees should be moderate to support a necessary balance between students' and families' ability to pay for college and adequate institutional funding to support continued progress toward achieving the goals of HB1 and the Strategic Agenda.

ACTION: The staff recommends that the Council approve 2012-13 resident, undergraduate tuition and mandatory fee ceilings that equate to maximum base rate increases of 4 percent for KCTCS, 5 percent for the comprehensive universities, and 6 percent for the research institutions, rounded to the nearest whole dollar.

The staff also recommends that the Council maintain the current floor for nonresident, undergraduate tuition and mandatory fees of two times the resident, undergraduate rate.

Finally, the staff recommends that the public universities be allowed to submit for Council approval market competitive resident and nonresident tuition and mandatory fee rates for graduate and online courses.

These recommendations are consistent with Council approved Tuition and Mandatory Fee Policy objectives, including funding adequacy, shared benefits and responsibility, affordability and student access, attracting and importing talent, and effective use of resources.

2012-13 Resident, Undergraduate Tuition and Mandatory Fees

The following table contains staff recommended dollar ceilings by sector for 2012-13 resident, undergraduate tuition and mandatory fees.

Nonresident, Undergraduate Tuition and Mandatory Fees

The current floor for nonresident, undergraduate tuition and mandatory fees is two times the resident, undergraduate rate. The staff recommends that the Council maintain the current

floor. Any institution desiring to assess a nonresident, undergraduate rate that is less than two times the resident, undergraduate rate is expected to request an exception to this policy when they submit their 2012-13 tuition and mandatory fee rates for final Council action.

2012-13 Resident, Undergraduate Tuition and Mandatory Fees Dollar Ceilings by Sector (@ 4%, 5%, and 6% Increases)			
Sector Percent Ceiling Institution	2011-12 Tuition and Fee Base Rates ^(a)	2012-13 Tuition and Fee Dollar Ceilings ^{(a)(d)}	Dollar Increase at Ceiling
Increase up to 4%			
KCTCS	\$135 per credit hour	\$140 per credit hour	\$5 per credit hour
Increase up to 5%			
EKU	\$6,960	\$7,320	\$360
KSU ^(b)	\$242 per credit hour	\$254 per credit hour	\$12 per credit hour
MoSU ^(c)	\$258 per credit hour	\$271 per credit hour	\$13 per credit hour
MuSU	\$6,576	\$6,912	\$336
NKU	\$7,488	\$7,872	\$384
WKU	\$7,944	\$8,341	\$397
Increase up to 6%			
UK – Lower Division	\$9,128	\$9,676	\$548
UK – Upper Division	\$9,392	\$9,956	\$564
UofL	\$8,930	\$9,466	\$536
Notes: ^(a) Neither AY 12 base rates, nor AY 13 dollar ceilings include Special Use Fees. ^(b) The \$254 dollar ceiling shown for KSU is assessed on 1-12 credit hours per semester. In 2011-12, KSU discounted their \$242 resident, undergraduate rate by 50% for hours 13 and above. KSU officials are not planning to change their discount rate for hours 13 and above in AY 13. ^(c) The \$271 dollar ceiling shown for MoSU is assessed on 1-12 credit hours per semester. That rate will be discounted by 50% for hours 13 and above. The discount rate in AY 12 was 60%. ^(d) To calculate dollar ceilings, multiply 2011-12 base rates by one plus the sector increase and round to the nearest whole dollar. Recommended ceilings may deviate slightly from this calculation to accommodate differences across institutions in ways rates are assessed.			

Graduate and Online Tuition and Mandatory Fees

The staff recommends that the public universities be allowed to submit for Council approval market competitive resident and nonresident tuition and mandatory fee rates, as approved by their respective boards, for graduate and online courses.

Fixed Cost Increases

With passage of the 2012 Budget Bill (HB 265), the Kentucky General Assembly enacted a planned reduction of \$62.6 million in public postsecondary institution net General Fund appropriations between FY12 and FY13. This reduction coincides with an estimated \$62.1 million increase in institutional fixed costs for FY13, comprised of mandated increases in employer paid retirement contributions and other fixed cost increases, and an increase of \$38.3 million in unfunded M&O expenses (see attached table). The following are specific components of the anticipated budget reduction and added costs.

- The 2012 Budget Bill (HB 265) calls for a planned \$62.6 million reduction in public postsecondary institution net General Fund appropriations in 2012-13.
- It is anticipated that Kentucky's comprehensive universities and KCTCS institutions will incur unfunded increases in Kentucky Employee Retirement System (KERS) and Kentucky Teacher Retirement System (KTRS) employer paid retirement contributions and health insurance premiums, totaling \$5.0 million in 2012-13.
- In addition, other postsecondary institution fixed costs, such as utilities, contractual obligations, workmen's compensation, and unemployment compensation, are expected to increase by a total of \$57.1 million in 2012-13.
- The Council's 2012-14 Biennial Budget Recommendation included requests for \$1.2 million in 2012-13 and \$1.8 million in 2013-14 to support the Maintenance and Operation (M&O) of new Education and General (E&G) facilities expected to come online during the 2012-14 biennium.
- These amounts were in addition to a \$37.0 million request in 2012-13 to provide M&O support for buildings that came online between 2008-09 and 2011-12, which were not funded in previous budget bills.
- The 2012 Budget Bill (HB 265) did not fund any of these M&O requests, which will require institutions to divert resources from other programs or functional areas to cover these necessary expenditures.

These cost estimates do not include faculty and staff salary increases at Kentucky's public postsecondary institutions.

Estimated Tuition Revenue

The staff recommends that the Council establish maximum tuition and fee rate increase ceilings of 4 percent at KCTCS institutions, 5 percent at the comprehensive universities, and 6 percent at the research universities. As can be seen in the attached table, using the assumption that these increases are assessed uniformly across all categories of students (i.e., every academic level, residency, and full-time or part-time status) in a flat student enrollment environment, campus officials estimate that the proposed rate increases would generate about

\$45.1 million in additional tuition and fee revenue for the system, net of institutional scholarships and waivers.

Budgetary Impact

Council staff estimates that the \$45.1 million increase in net tuition and fee revenue in FY13 will cover only about 36 percent of the \$124.7 million loss associated with reductions in state General Fund appropriations and expected fixed cost increases, resulting in a net operating deficit of \$79.6 million. This shortfall does not include the \$38.3 million in unfunded M&O costs that the institutions have absorbed since 2008 or are expected to incur in 2012-13.

2012-13 Rate Proposals

One institution, Northern Kentucky University, is submitting its 2012-13 tuition and mandatory fee proposal for Council consideration and action at today's meeting (April 20, 2012), so that students will know as soon as possible what their tuition and fees will be next year. Campus officials have been working with various campus constituencies and have had informal discussions with their board concerning 2012-13 tuition and fee rates. Staff recommends Council approval of NKU's proposed rates contingent on final NKU board action on May 2.

It is anticipated that the remaining institutions will submit their proposed tuition and fee rates for Council approval at the June 21 meeting. This will allow additional time for campus officials to share tuition and fee ceilings with various stakeholders and obtain input from their respective boards prior to setting tuition.

The staff will recommend for Council approval tuition and fee rates that meet the following criteria: (a) increases in resident, undergraduate tuition and mandatory fees that are at or below the approved ceiling; (b) nonresident, undergraduate rates that are at least two times the resident, undergraduate rate; (c) proposed exceptions to the nonresident rate floor that have been previously approved by the Council and are in line with 2011-12 rates; and (d) market competitive tuition and fee rates for graduate and online courses.